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Report Highlights:

Canada Is the Top Market for U.S. Farm, Fish, and Forest Exports * Exporter Guide Updated * Oyster Parasite in Canada for First Time * Cod Fishery Faces Closure * Chronic Wasting Disease Hits Third Species * Federal Government Says No to Trial Open Market for CWB * Saskatchewan Farmers Head to Court * CWB Denounces Affirmative Ruling by USITC * Opposition Party Ag Critic Slams Feds on CWB Stance * CWB Won't Use Foreign Grain to Meet Export Sales Contracts * Transport Canada Postpones Decision on Government Hopper Cars * Below-Average Crop Yields and Quality for Saskatchewan in 2002 * Canadian Scientists Develop First-Ever Fusarium-Tolerant Pastry Wheat * EDC Outlook for Canadian Agri-Food and Forestry Exports * Free Trade Lumber Council Says Weyerhaeuser Proposal Would Favor U.S. Lumber Producers *

...and MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CANADA IS THE TOP MARKET FOR U.S. FARM, FISH, AND FOREST EXPORTS: Canada has surpassed

Japan as the number one market for U.S. agricultural, fish and forestry product exports. In FY2002 (Oct-Sept), U.S. farm, fish and forestry exports to Canada reached \$10.8 billion, almost \$600 million more than to Japan for the same period. Canada accounted for 16 percent (\$8.6 billion) of total US food and agricultural product exports of \$53.3 billion during FY2002. Of total U.S. exports of consumer-oriented agricultural products of more than \$21.6 billion, \$6.0 billion, or one dollar in every four, was destined for Canada. Almost one in every five dollars of U.S. exports of fish and seafood went to Canada in FY2002. Total bilateral agricultural trade between the United States and Canada exceeded \$18.7 billion in FY2002, more than \$50 million per day. Two-way truck traffic alone exceeds 7,000 trucks per day, an average of almost one truck every other minute, 24 hours a day.

EXPORTER GUIDE UPDATED: Canada is the number one market for U.S. agricultural product exports and new and prospective U.S. food exporters to the top export destination for U.S. foods can now consult the latest edition of the *Exporter Guide*, a practical guide to help them do business in the Canadian market. The guide provides a market overview of the Canadian food market with practical tips and a summary of food regulations such as labeling requirements, nutritional labeling, customs import procedures, and more. The report focuses on consumer-oriented foods and beverages and includes a special section on the best high-value product prospects in the Canadian market. In addition, the *Exporter Guide* has a listing of useful websites that can help take the guesswork out of exporting and a catalogue of the available market sector reports for Canada which provide a qualitative assessment of the relative market opportunities for consumer-oriented foods and beverages and edible fishery products between the food retail, HRI (hotel restaurant, institutional) foodservice, and the food processing sectors. The *Exporter Guide* can be downloaded by the end November from the FAS homepage (<http://www.fas.usda.gov>). The report number is CA2132.

OYSTER PARASITE IN CANADA FOR FIRST TIME: The Department of Fisheries and Oceans (DFO) reported this week that oysters in two locations on Prince Edward Island have tested positive for the MSX (Multinucleate Sphere X) parasite, a serious disease agent of oysters. According to DFO, the disease was discovered for the first time in Canada this summer in oysters from St. Patrick's Channel, Bras d'Or Lake, Cape Breton. Four of nine sites sampled in Cape Breton showed the presence of MSX (in addition to the original sites in St. Patrick's Channel). DFO has found MSX at very low levels in samples from Prince Edward Island and has contacted the provinces to discuss control options. The parasite is not known to be harmful to humans. The P.E.I. *Guardian* reports that unchecked, the parasite could threaten the multimillion-dollar oyster industry in the Canada's Maritime provinces. In the United States, strategies for combating the disease are spearheaded by a congressionally mandated program called the Oyster Disease Research Program administered by the National Sea Grant Office.

COD FISHERY FACES CLOSURE: According to the *Globe and Mail*, Canada's cod fishery faces complete closure next year because cod stocks are failing to recover. Once the livelihood of more than 40,000 in Canada's Maritime provinces, heavy overfishing by both Canadian and foreign fleets in the late 1980s killed off most of the mature cod and stocks dwindled. In 1992 the Canadian government announced a moratorium which resulted in widespread unemployment, out-migration, and licence retirement programs and exit strategies that cost billions of dollars. A small-boat fishery was reopened in 1998 and a total catch of 6,000 tonnes was allowed compared to the 200,000 tonnes of northern cod that fishermen were catching prior to the depletion of the stocks. Although federal Fisheries Minister Robert Thibault has publicly expressed hope that new research could still show the closing is not needed, Mr. Thibault said the final decision will not be made until March, saying additional research studies could be more positive. But he added: "Some of them are in and they are not very encouraging."

CHRONIC WASTING DISEASE HITS THIRD SPECIES: Canadian animal health officials are concerned after a farmed white-tailed deer in Alberta was recently confirmed positive for chronic wasting DISEASE (CWD) a progressive, fatal, degenerative DISEASE of the brain affecting elk, mule deer and white-tailed deer. Formerly, the DISEASE in Canada had been found only in wild mule deer and elk. CWD has been diagnosed in wild deer, elk and farmed elk throughout western Canada and the United States. Alberta has had a moratorium on the import of elk and deer since 1988, as well as a voluntary CWD surveillance program since October 1996. In recent years, the Canadian Food Inspection Agency has ordered the slaughter of thousands of farmed elk on Saskatchewan farms in attempt to stop the spread of CWD. Compensation has run into the tens of millions of dollars.

CANADIAN FARMERS ARE A GREYING POPULATION: Statistics Canada released its census profile of farm operators and *Good Morning Ontario's* David Gliddon summarized part of the report: Canada's young farmers are disappearing and the job of running the farm is increasingly falling to fewer and older farmers, says Statistics Canada in its second release of the 2001 Census of Agriculture. The group of farmers under 35 years old poised to take over the

Canadian farm is shrinking rapidly, representing only 11.5% of all farmers. In fact the number of farmers under the age of 35 has fallen by more than one-third since the 1996 Census. In Canada the total number of operators has declined 10%, from 385,600 in 1996 to 346,200 in 2001. More than a third are over 55, only a slight increase from 1991. "Farm operators are a greying population," said Statistics Canada analyst Stephen Boyd.

FEDERAL GOVERNMENT SAYS NO TO TRIAL OPEN MARKET FOR CWB: In its response to a recommendation of the Standing Committee on Agriculture and Agri-Food which urged the creation of a 'trial' open market for the sale of western Canadian wheat and barley, the Government of Canada (GOC) stated that it supports the mandate of the Canadian Wheat Board (CWB) and is committed to preserving the ability of Canadians to operate the orderly marketing systems necessary for stability and profitability. In addition, the government pointed out that the power to change this mandate rests with western Canadian farmers. The *Canadian Wheat Board Act*, as amended in 1998, provides a clear process that must be followed in order to alter the CWB's current marketing mandate. According to the Act, the Minister responsible for the Canadian Wheat Board cannot introduce legislation into Parliament that seeks to change the marketing mandate of the CWB unless the Minister has consulted with the Board of Directors, and producers of affected grains have voted in favor of the proposal. Those same 1998 amendments placed all the powers and authorities of the CWB in the hands of its Directors, two-thirds of whom are directly and democratically elected by producers themselves. Reaction to the Government of Canada response by the CWB is available in a November 15 CWB press release: <http://www.cwb.ca/en/news/releases/2002/111502-01.jsp> The November 13, 2002 GOC response to the Standing Committee on Agriculture can be found at: http://www.agr.gc.ca/cb/report/report_e.phtml

SASKATCHEWAN FARMERS HEAD TO COURT: According to a spokesperson for Farmers for Justice, Saskatchewan farmers appeared before the Saskatchewan Court of Queen's Bench on November 18 and 19. The Saskatchewan farmers will be facing the same charges as the recently incarcerated Alberta farmers did: failure to report in writing, exporting without a licence, and not placing vehicles into the custody of Customs Officers. In Saskatchewan 123 individuals were charged, in Alberta there was a total of 32, Manitoba has another 63 - all charged with the same offences. Free Dominion, a Canadian political watch group, held a rally in Ottawa to coincide with the Saskatchewan farmers court appearances. "We appreciate the support being shown to western farmers by other organizations," the spokesperson said. "It is especially gratifying to see it come out of the east. Farmers in Ontario don't have to play by the same rules we do - so when we see them pick up our banner, we know this is no longer a regional issue. This is an issue of freedom, and that's important to all Canadians."

CWB DENOUNCES AFFIRMATIVE RULING BY U.S. TRADE COMMISSION: According to a November 19 news release from the CWB, the CWB denounced a 4-1 affirmative preliminary determination by the U.S. International Trade Commission (ITC) allowing for the continued investigation regarding the countervailing duty and anti-dumping petitions filed by the North Dakota Wheat Commission (NDWC). The CWB said the ruling is "unfounded and just another step in continued American trade harassment." Larry Hill, chair of the CWB trade committee remarked that "The facts of this case do not support a ruling against us, we do not 'dump' grain, nor do we have unfair subsidies." Defending the CWB is expected to cost Prairie farmers up to C\$10 million. In addition to the extra costs associated with the defense, the CWB will this year market the smallest crop in at least 30 years, equivalent to half a normal crop. The CWB notes that in a typical year, about 1.5 million tonnes of Canadian spring wheat and durum are sold to U.S. customers (about eight percent of total sales), representing about C\$400 million 10% of CWB sales revenue.

OPPOSITION PARTY AG CRITIC SLAMS FEDERAL GOVERNMENT ON CWB STANCE:

In a November 19 news release entitled, "Sleepwalking on U.S. Trade Action Against the Canadian Wheat Board," David L. Anderson, Canadian Wheat Board Critic for the Official Opposition, slammed the Liberal government for sleepwalking instead of protecting the future of Canada's wheat industry. "(The) decision by the U.S. International Trade Commission in connection with its countervailing duty and antidumping investigations concerning Durum and Hard Red Spring Wheat from Canada, should set producers' alarm bells ringing," Anderson said. "The Liberals and the CWB are lolling producers to sleep on this issue, without informing them of the true stakes." "This is not going to be some cake-walk," said Anderson. "It's time for this government to wake up and address the real concerns surrounding the CWB's operations."

Anderson said he is alarmed that the government continues to downplay the threat that this trade action poses to Canadian wheat producers by insisting that Canada has won the last 9 U.S. trade investigations of the CWB. "This position is inaccurate, and gives farmers a false sense of security," he said. "The U.S. already determined in February of 2002 that Canada's monopolistic system disadvantages

American wheat farmers and undermines the integrity of the U.S. trading system. This action is just one of four avenues they are pursuing to seek relief for U.S. wheat farmers. This government is failing to protect Canadian producers."

CWB WON'T USE FOREIGN GRAIN TO MEET EXPORT SALES CONTRACTS: The November 18 edition of *Agriweek* notes that the Canadian Wheat Board will not use foreign grain to meet export sales contracts which it may not be able to supply because of the small prairie grain crop. The CWB has renegotiated some sales commitments from the 2002/03 crop into 2003/04. The CWB is widely understood to have been forward selling 2002 crop wheat for delivery in early summer (2003), before the extent of the drought disaster was known.

TRANSPORT CANADA POSTPONES DECISION ON GOVERNMENT HOPPER CARS: The November 18 edition of *Agriweek* also noted that the federal transport department has apparently postponed a self-imposed deadline as to the disposition of the government-owned grain hopper car fleet. The intention to dispose of the cars was first announced in the 1996/97 federal budget. An agreement with the major railways giving them right of first refusal if the cars were sold expired June 30, 2002. The Farmer Rail Car Coalition has been formed by several farm organizations and is lobbying for the 13,000 cars to be turned over to it for C\$1.

GRAIN COMMISSION RELEASES 2001/02 ANNUAL REPORT: The Canadian Grain Commission (CGC) recently released its *Departmental Performance Report*. In it, Agriculture and Agri-Food Canada Minister Lyle Vancilief commented that the CGC, in its role to regulate the grain industry and protect the interests of grain producers, helps ensure the delivery of "consistent quality" grain to Canada's domestic and foreign grain customers. Vancilief noted that Canada is known around the world for the safety, quality and reliability of its grain exports. As a result, Canada, through the Agricultural Policy Framework (APF) will brand Canada as the best in the world in terms of food safety, food quality and environmental sustainability. The CGC will play a critical role in the delivery of the APF to ensure that Canadian grain producers receive maximum value for their products. The Chief Commissioner, Chris Hamblin observed that in 2001, Canada exported more than C\$26.4 billion worth of food products that accounted for 6.6% of total Canadian exports. CGC exports of grains, oilseeds and related products were valued at C\$9.9 billion, C\$400 million greater than in 2000. Hamblin noted that some of the CGC's main accomplishments included: (1) The development of a grain quality management system that will be used to assure the varietal purity of major wheat classes; (2) The development of a program to audit and certify identity preservation systems in partnership with the Canadian Seeds Institute; (3) The development and refinement of new rapid tests to ensure Canadian grain shipments meet international food safety tolerances.

BELOW-AVERAGE CROP YIELDS AND QUALITY FOR SASKATCHEWAN IN 2002: In its final crop report for the year, Saskatchewan Agriculture, Food and Rural Revitalization reported that Saskatchewan farmers are expected to harvest 13.6 million tonnes of the major grains, oilseeds, and specialty crops for the 2002 crop year. This figure takes into account the estimated production from 3.8 million acres of the 2002 crop not yet harvested. Crop production for 2002 is 45% below the 10-year (1992-2001) average of 24.6 million tonnes, and 31% below 2001 production of 19.8 million tonnes. The below average production is due to below average harvested area and below average yields. Harvested area was below average for spring wheat, barley, fall rye, spring rye, canola, and sunflowers. On a provincial basis, yield estimates are expected to range from six percent above average to 44% below average. It was reported that crops combined in the southern grainbelt were generally of better quality than those harvested in the central and northern grainbelts. The 2002 spring wheat crop is estimated to grade 10% No. 1 Canada Western (CW). The overall quality of the durum crop is expected to be four percent 1 CW for 2002. Six percent of the oat crop is expected to grade 1 CW. Malting barley grade for the 2002 crop is expected to be 12%. Sixty-three percent of the flax is expected to grade 1 CW. Canola's average for the top grade is expected to be 46%. Topsoil moisture conditions on cropland are rated as fair to good by almost 90% of reporters. To view the report's description on overall harvest, crop production and quality, visit:

http://www.agr.gov.sk.ca/docs/reports/crop_report/crprptFinal2002.pdf

CANADIAN SCIENTISTS DEVELOP FIRST-EVER FUSARIUM-TOLERANT PASTRY WHEAT: According to a November 19, 2002 news release from Agriculture and Agri-Food Canada (AAFC), Eastern Canadian producers

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can now benefit from a new wheat cultivar with increased tolerance to Fusarium head blight, a fungal disease which has cost the Canadian agri-food industry hundreds of millions of dollars. The new line, a soft red winter wheat often used for pastries, exhibits nearly four-times fewer mycotoxins when exposed to the fungus, than other wheat varieties on the market. The level of mycotoxins present in wheat can greatly affect yields, as well as grade and market value. The line has been approved by the Ontario Cereal Crops Committee, and registered for production in Eastern Canada under the name Wonder. The line was developed by scientists with AAFC in Ottawa and Hyland Seeds in Blenheim, Ontario. The development of Wonder was led by Dr. Radhey Pandeya of the Eastern Cereal and Oilseed Research Centre, and Hyland cereal breeders. Wonder is expected to be in full commercial production by 2004.

ZERO-FUSARIUM TOLERANCE IN FIVE ALBERTA COUNTIES: The November 14 edition of *Agriline* reported that five counties (Lacombe, Camrose, Stettler, Spirit River, and Sunrise) in Alberta have now instituted zero-tolerance for fusarium in grain and straw. To enter the areas, certificates must be provided establishing fusarium-free status. Though legal under provincial law which designates the disease as a pest, the counties' abilities to enforce such rules is considered limited. The province recently imposed a fusarium "best-practices" management policy, which does not require certification, as of October 1, 2002.

EDC OUTLOOK FOR CANADIAN AGRI-FOOD AND FORESTRY EXPORTS: According to the Fall 2002 Export Forecast from Export Development Canada (EDC), Canada's agri-food exports are expected to rise by just 3% in 2002, compared with a rise of 13% in 2001. Adverse weather is the key factor behind the weak outlook for Canadian exports of agri-food products this year. The current projections in agri-food exports are lower than EDC's spring forecast, which assumed normal growing conditions. For 2003, EDC forecasts that Canadian exports of agri-food products will rise by 10% compared with the 3% growth estimated for 2002. Forestry exports are recovering from a slump that saw sales fall 7.5% in 2001 and 6% in the first half of 2002. EDC expects forestry exports to decline 3% in 2002 because of weak pulp and paper sales in the first half of the year, but gathering momentum in the second half should push forestry export growth to 6% in 2003. For additional information, view the EDC sectoral outlook at: http://www.edc.ca/docs/ereports/gef/SectOutlook_e.pdf

FREE TRADE LUMBER COUNCIL SAYS WEYERHAEUSER PROPOSAL WOULD FAVOR U.S. LUMBER PRODUCERS: In response to the sliding lumber export tax proposal by Weyerhaeuser chief executive officer, Steve Rogel, Frank Dottori, CEO of Tembec and co-chairman of the Free Trade Lumber Council (FTLC), said in a November 20, 2002 news release that the proposal would heavily favor U.S. producers: "Canadian companies would be permanently crippled in low markets. This looks and sounds very much like something that our U.S. competitors would favor. I don't know why Canadian companies would support such a deal," Dottori said. "Moreover," he added, "I don't see how this proposal does anything to resolve the current situation where we pay a 27% duty which would be replaced by a 25% export tax." Dottori has a major problem with doing away with WTO and NAFTA challenges: "I fail to see why we would do that when we just scored a big win at the WTO concerning the illegal cross-border comparisons used by the Department of Commerce to arrive at the high duties currently imposed." The Free Trade Lumber Council is a pan-Canadian organization devoted to the softwood lumber issue. Its members account for some 40% of Canadian softwood lumber exports to the U.S.

CANADA MAKING INROADS TO INDIA'S HOUSING MARKET, SAYS MINISTER: According to the *Canadian Press*, Natural Resources Minister Herb Dhaliwal, in a November 14 conference call from India, stated that the Asia-Pacific region is still a trade priority for the Canadian government. Dhaliwal said that Canada will have to work harder to increase its trade, and that there were more opportunities to do so. Canada is starting to make inroads in selling wood products for India's growing housing market, Dhaliwal noted, in reference to a C\$500,000 lumber export deal signed during the trade mission.

EDC EXPANDS OPERATIONS IN MEXICO TO MONTERREY: According to an October 29, 2002 Export Development Canada news release, EDC is establishing a second permanent representative in Mexico in the city of Monterrey to meet the growing needs of Canadian exporters and investors as trade and investment levels continue to rise. The release notes that there is "tremendous trade and business potential for Canadian exporters and investors." The EDC is a Canadian Crown Corporation that provides trade finance and risk management services, including buyer financing, accounts receivable insurance, political risk insurance and guarantees as well as project financing, benefitting both the Canadian exporter and its Mexican buyer or partner.

CANADA'S FOOD REGULATIONS OUTDATED, SAYS UNILEVER VP: According to the November 19

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edition of *Good Morning Ontario*, Canada's 53-year-old *Food and Drug Act* is stifling innovation of new health food products because manufacturers cannot make health claims on labels, Mike Welling, a vice-president of Unilever Canada told Reuters, November 18. Canada is losing manufacturing investment to other countries because of excessive and outdated regulations holding back development of the "functional food" category, says Welling. "Canada is not on the bleeding edge of this kind of regulation," Welling said. Functional foods, loosely defined as those which provide specific health benefits, are worth an estimated \$40 billion globally, Welling told a meeting of the Canada Grains Council and Grain Growers of Canada.

Did You Know ...that Canadians and Americans drink about the same amounts of coffee, at just under 100 liters per person per year, but Canadians drink more than twice as much tea (almost 70 liters per person) as Americans (only 32 liters per capita).

Recent Reports from FAS/Ottawa:

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